

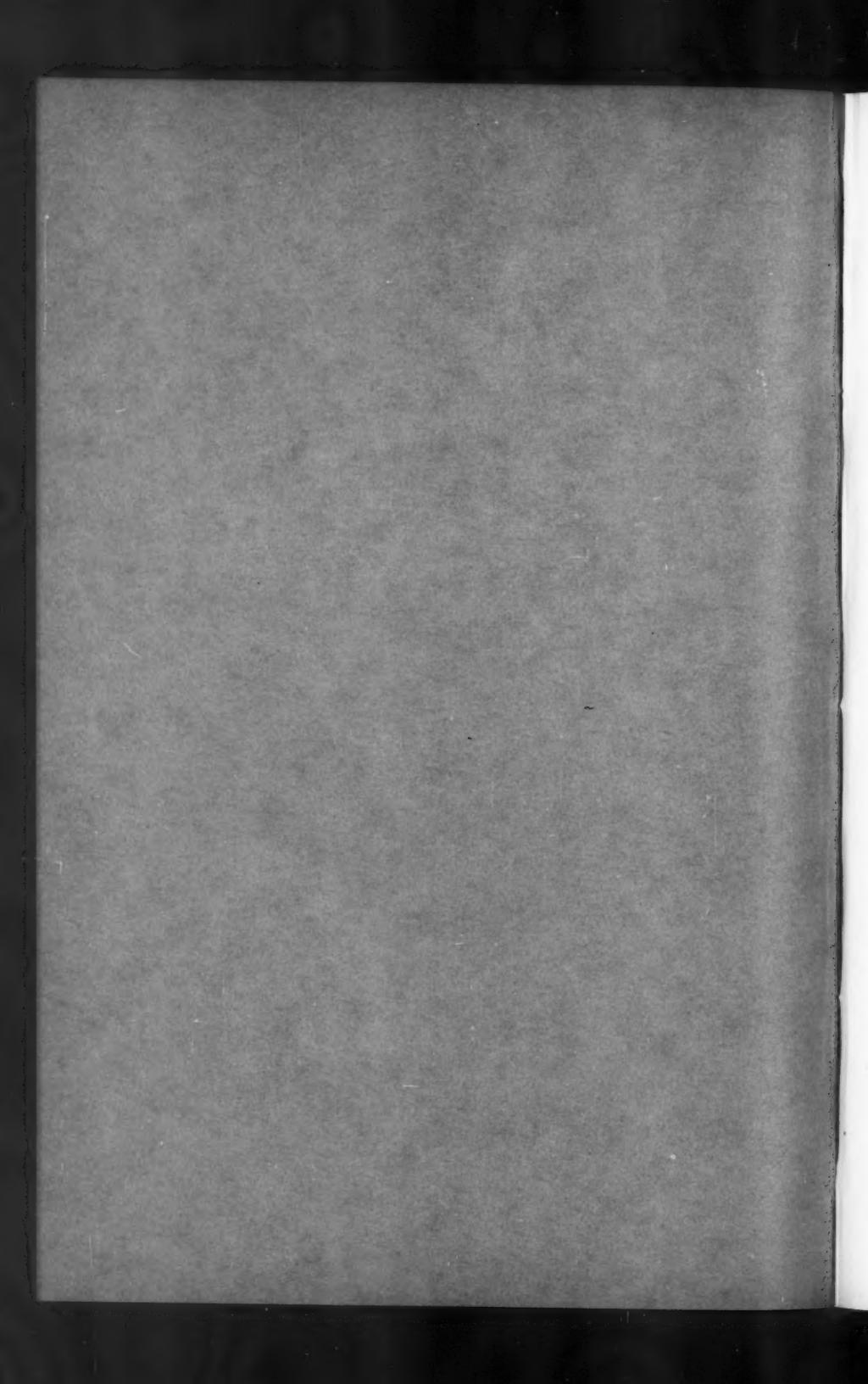
L. R. B. & M. JOURNAL

VOLUME I NUMBER 6

OCTOBER, 1920

Published by

LYBRAND, ROSS BROS. & MONTGOMERY
Accountants and Auditors



L. R. B. & M. JOURNAL

VOLUME ONE

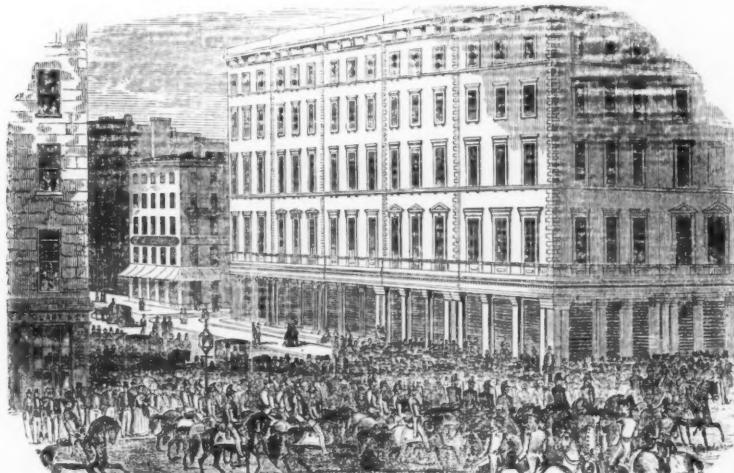
OCTOBER, 1920

NUMBER SIX

New York's First Great Store

The first great store of New York, founded 1823 by A. T. Stewart, maintains the distinctive character it had in Mr. Stewart's lifetime, to which have been added the life and spirit of Mr. Stewart's old friend, its present owner, whose pride and signature govern all our undertakings in New York

is still there. Across Ninth Street from Broadway to Fourth Avenue the big New Building, more than twice as high as the Stewart building, looms up, doing a noble part as a staunch witness to the enduring principles of the two founders of this great, ever-increasing business.



Reproduction of wood cut in Gleason's Pictorial Drawing Room Companion of July, 1851. That periodical, in describing the Fourth of July procession, referred to the above picture and stated that "the scene represents the City cortège as it passed that magnificent dry goods establishment belonging to Stewart & Co., in Broadway, and well known as Stewart's Marble Palace."

as well as Philadelphia. The prosperity of this business since the new sign was placed at the corner of Ninth Street and Broadway on the old A. T. Stewart building a quarter century ago—

JOHN WANAMAKER
formerly
A. T. STEWART

Mr. Stewart's first quality of merchandise, a fair price and but one price, an art in storekeeping distinctly different from a mere warehouse of merchandise, a wide civic and national vision fixed a famous leadership that has not died and never will.

The A. T. S. and J. W. flags of business principles are nailed to the mast as business signals to the public.

(Signed)

1920.

JOHN WANAMAKER

When the Wanamaker business began in Philadelphia nearly sixty years ago (1861) Alexander T. Stewart had already made his name well-known in American merchandise, and had paved the way for the tremendous volume of business he built up in later years.

Stewart was a Belfast Irishman—transplanted to America. At the age of twenty, after taking a degree at Trinity College, he landed in New York at the Battery in 1823. His first employment in America was teaching school in Roosevelt Street near Pearl.

The turning-point of his life was the loaning of a small sum of money to a young man friend to open a small dry goods store. It was a part of the patrimony his father had left him, which he brought with him from Ireland. His friend was unable to make a success of the business, and Mr. Stewart concluded he would undertake it himself. He took the balance of his little fortune; went to Ireland; bought a stock of Belfast laces, amounting to about \$3,000, and the New York Daily Advertiser of September 2, 1823, announced in an advertisement—

NEW DRY GOODS STORE

No. 283 Broadway, opposite Washington Hall.

A. T. Stewart informs his friends and the public that he offers for sale, wholesale and retail, a general assortment of fresh and seasonable dry goods; a choice assortment of Irish linens, lawns, French cambrics, damask, drapery, etc.

N. B.—The above goods have been carefully selected and bought for cash, and will be sold on reasonable terms to those who will be pleased to favor him with their commands.

This store which was opposite his later wholesale warehouse, was a 25-

foot front building, of which he occupied but half, and his lodging room was in the rear of his little half-front shop. In 1826 he moved to 262 Broadway, a larger store, and not long afterward to 257 Broadway.

In 1848 Mr. Stewart built the marble store at Broadway and Chambers street. In 1862 he bought part of the old Randall Farm, bounded by Ninth and Tenth Streets, and Broadway and Fourth Avenue, and erected a six-story iron building with two basements for a retail store. The cost of lot and structure, as stated at the time by the New York Tribune, was \$2,750,000. The same article stated that "the two stores at lower and upper Broadway, which Mr. Stewart built, are the proudest monuments of commercial enterprise in the country. The trade transacted in them is almost fabulous."

After the death of Mr. Stewart, the wholesale business was discontinued at Broadway and Chambers street, and the retail business was confined to Tenth and Broadway, and continued, in one form or another, until 1896, when the building and the stocks of merchandise became the property of the present owner, and the sign went up on the building:

JOHN WANAMAKER

formerly
A. T. STEWART

The business immediately swung back to its old Polar Star and began its new career. Mr. Stewart once said: "My business has been a matter of principle from the start. That is all there is about it."

To restore the abandoned work of New York's greatest merchant, light up the empty house that cost nearly three million dollars, and bring to life

again what was said to be a dying neighborhood, was a task the accomplishment of which is now a part of the history of the greatest commercial city of the world.

When Stewart built that business palace at Broadway and Ninth street folks said:

"Oh, it is too far up town, people will never go there to trade!"

When John Wanamaker bought the A. T. Stewart Store in 1896, the children of the folks who made the remark just quoted said:

"Oh, it is too far down-town, people will never go there to trade!"

Both were wrong.

The decade from 1896 to 1906 brought to New York its greatest real estate boom, and several of the large retail stores moved into splendid buildings in new neighborhoods.

The ten years' growth of the business at Tenth and Broadway overloaded the old Stewart building and compelled impossible enlargements or removal to another neighborhood. The Wanamaker business resolved to stay in the old neighborhood, the owners having satisfied themselves of the possibilities of the old location. Cheaper leaseholds were an advantage, so a whole block next adjoining was secured for nearly one hundred years, upon which has been erected a 16-story fireproof building, built expressly to convenience and safeguard throngs of people.

The new building was specially constructed for a particular purpose, to install a new kind of furnishing and decorating business.

New York City has no other 16-story mercantile building, of such extent, fireproofed from top to bottom—floors, roofs, walls and fixtures, from sub-cellars up—devoted to the furnishing and decorating of the home. And, so far as is known, there is no such establishment, of equal extent, in the world.

The old A. T. Stewart building now seems small and antiquated in comparison with the present organization and equipment of the Wanamaker business in New York, which consists of

THESE COMPLETE EXCLUSIVE STORES

First—The Woman's and Children's Store, wholly for Dry Goods and Wearing Apparel.

Second—The Man's Store, on the entrance floor of the new building, exclusively for Men's and Boys' Wear; Sport and Motor Goods.

Third—The new building from the first gallery to the roof, devoted exclusively to Furnishing and Decoration, with Belmaison, a 22-room House of Ideas.

Fourth—The Jewelry Store; the Book Store; the Galleries of Antiques; the Oriental Shop; Coin de Paris, and other specialties.

Fifth—The Down-Stairs Store, devoted to dependable merchandise of quality and fashion but at lesser prices than in the upstairs stores, an integral part of the Wanamaker business.

The two buildings—the Stewart store and the new Wanamaker structure—are connected by three underground passageways and a fine, artistic, large overhead, double-deck covered bridge, known as the Bridge of Progress. Passage from one to the other is now so easy that the two buildings actually seem one.

(Continued)

The remainder of the foregoing article, which will appear in the November number of the JOURNAL, gives an interesting account of the founding and development of the Wanamaker store in Philadelphia.

THE SCOTTISH CHARTERED ACCOUNTANT

BY T. B. G. HENDERSON, C. A.

Chartered accountants of Scotland are publicly distinguished by the use of the letters "C. A." after their names, while certified public accountants of the various States of America proclaim their professional qualifications by means of the letters "C. P. A." Members of the English and Irish Chartered Institutes use the letters "F. C. A." or "A. C. A." according as the individual may be a "Fellow" or an "Associate."

In Scotland three distinct Societies of Accountants exist; in America a Society of Accountants has been organized in practically every State in the Union. The objects contemplated by both groups of Societies are virtually the same, so that many points of resemblance and contrast between the two groups might be drawn. But it is the writer's purpose to limit this article to a description of the Scottish Chartered Accountant.

Of the three Societies of Accountants in Scotland, the eldest, THE SOCIETY OF ACCOUNTANTS IN EDINBURGH, was incorporated by Royal Charter on October 23, 1854. Five months later, or to be precise, on March 15, 1855, THE INSTITUTE OF ACCOUNTANTS AND ACTUARIES in Glasgow was incorporated by Royal Charter. The recognition of accountants in the northeastern part of Scotland, however, was delayed for several years, but at last, on April 10, 1867, THE SOCIETY OF ACCOUNTANTS IN ABERDEEN came into being, also by Royal Charter.

The development of the accounting profession in Scotland was quite rapid, the reason doubtless being the enactment of what are known as Company laws, providing for the regulation of joint stock companies, including an

annual audit of the accounts of each company by a qualified Accountant, and for the annual filing of a certified statement of affairs with a government Company Registrar. Indeed, the growth of the accounting profession there was so fast that large numbers of students were attracted to it. Because of this condition the need for some sort of uniformity in the rules for qualification for, and admission to, membership of the Societies became evident, and early in 1893 a formal agreement was entered into between the three Scottish Societies already named whereby very definite rules were laid down. Moreover, the agreement provided for the establishment of a general Board of Examiners in Scotland.

One need not travel far in America to meet a qualified C. P. A. who has never served in the office of a Certified Public Accountant. In Scotland this is impossible, for under the terms of the Agreement referred to, an aspirant for the letters "C. A." must serve an apprenticeship with a practicing member of one of the three Societies for a period of five years under a regular deed of indenture. The term of service may be reduced to four years if the apprentice is a University graduate, and to three years, if prior to the indenture the student, while over 17 years of age, served four years or more in the office of a Scottish Chartered Accountant. The minimum term of service is three years.

As a means of limiting the field to those who possess at least a fair education, a Preliminary Examination set by the General Board of Examiners must be passed before the student can be indentured. The Board, however, has the power to waive this examina-

tion in cases of applicants who hold a University degree or who otherwise prove to the satisfaction of the Board that they have passed an examination equivalent to the Preliminary Examination.

Having been indentured, the long weary grind begins, and the apprentice soon becomes aware of the necessity for hard and continuous study if he is to make good progress. Not only for the purpose of having him maintain interest in his work, but also to determine the extent to which he has acquired accounting knowledge, an intermediate examination must be taken by each student during his apprenticeship, but only after one year has been served under the indenture. In the event of failure it is possible for the apprentice to undergo re-examination at any time before the expiration of his apprenticeship. No one is eligible for the intermediate examination when his indenture has expired.

When the intermediate examination has been passed the apprentice is ready to take up law, and the Examining Board requires each applicant for Final Examination to present a diploma issued by a Scottish University certifying that he has attended a complete session of the classes in Scot's Law, and that he has qualified in four out of five examinations to be taken in connection therewith. A complete session of the Scot's Law classes comprises one hour daily for six months. Usually these classes are held in the afternoon during business hours, but the apprentices in terms of their indenture are permitted to attend regularly regardless of pressure of work.

Every apprentice who has passed the intermediate examination, whose term of apprenticeship has expired, whose indenture has been discharged and the discharge thereof duly recorded, and who holds the Scot's Law

certificate already referred to, is entitled upon certain notice to the Secretary of the Board to come forward for the Final Examination. The subjects of this Examination may be grouped under four general heads, viz., Scot's Law, Actuarial Science, Political Economy and Accounting Practice.

When the candidate has been found qualified by the Examining Board, he is eligible for admission to the particular Society of which the "Master" named in his indenture is a member. Admission to any Society is gained only by the vote of members assembled in general meeting. It need hardly be mentioned that various fees must be paid by the candidate before and during apprenticeship and upon admission to the Society. The examination fees, which are payable upon application, are quite reasonable, and so are the entrance fees and annual dues payable to the Society. A very substantial fee, however, is payable under the indenture to the Master whom the apprentice is to serve, and the amount varies quite a little, according to the reputation of the "Master." Indenture fees as large as the equivalent of \$10,000 are not unknown, but many indentures specify fees as low as \$500. The latter amount, however, is probably the minimum figure. Then, too, in many instances, the first three years under the indenture must be served by the apprentice without compensation, or if any is paid the amount is usually little more than sufficient to pay for car fare. To those accustomed to "earn while you learn" such terms must appear to be unfair, but the accounting profession in Scotland enjoys such high standing that there is always a waiting list of students whose parents are eager to meet the terms. The Scotch practice is, of course, contrary to American methods and principles, but the adoption of some modified indenture sys-

tem by the various State Societies might help to raise the professional standing of its members and would certainly prevent candidates entirely lacking in actual public practice, though well posted on theory, from securing the much prized diploma.

Each of the three Scottish Societies has organized a Widows' Fund, and one of the conditions of membership in the Society is that the member, whether married or single, shall become a subscriber to the Fund. Quinquennially a valuation of the Fund is made by an actuary and the amount of the annuity payable to the widows of deceased members is re-determined. The annual subscription to the fund is small enough to prevent single members from complaining, and while the annuity payable upon death is really negligible, still it is large enough to furnish the widow with an ultra-frugal living in Scotland measured by pre-war standards.

Enough has been written in previous paragraphs in regard to the Preliminary and Intermediate examinations to make further mention of them unnecessary. Some additional information concerning the Final Examination is, however, probably worth while. For many years this examination was conducted in its entirety at one time and the candidate had to pass in every subject or fail in all. During recent years, however, the rules were revised so that candidates may now take the examination in two divisions, one at a time. He must, however, pass in each subject within a division or fail in the entire division. Having passed in one division (either one may be taken first), the candidate must qualify in the other within twenty-six months. Otherwise he must again pass the one for which he already holds a certificate. It is customary for students to tackle both divisions in the first instance, as

though no change had been adopted, and a large percentage of those who ultimately qualify do so in both divisions at the same diet of examination. The reason for this practice is that the second division consists almost entirely of papers relating to practical work, and after spending five years under indenture the average student should be sufficiently qualified to take this entire division with some assurance of passing. Much, of course, depends on the ability of the student and on the quality of the training he has had.

The subjects embraced by this division consist of the theory and practice of accounting, preparation of statements, the handling of Trust Estates, Partnership, Company, Consignment and other special accounts, Cost Accounting and Income Tax. These subjects are covered in two papers and occupy one day of six hours.

Another day of seven hours is spent on two papers, the first on Auditing and the second on Advanced Accounting, including Municipal, Executory, Factorial, Estate and Farm. This paper covers a variety of subjects in accounting and is usually much more technical than the other three comprising the second division.

The first division of the Final Examination consists of four papers, two of which occupy six hours on the first day, the other two requiring seven hours on the second day. The subjects covered on the first day are Actuarial Science (Life Annuities, Reversions, Sinking Funds, Instalment loans, Annuities—certain, etc.), and Political Economy.

The second day of the first division is confined to an examination on law, the first paper on which is limited to commercial points, while the second paper relates to insolvency and bankruptcy, joint stock companies, and arbitration.

SAILING IN SOUTHERN SEAS

By N. B. BERGMAN

(*New York Office*)

When one considers the facilities to leave America afforded the disturbers of our peace, it is, or should be, highly flattering to find Uncle Sam placing obstacles in the way of a person desiring to leave these shores. What with passports, vaccination certificates, permits to embark, visées by the Consuls of the countries you intend to visit, if one does not become completely discouraged it is a glowing tribute to his persistence. At this point, permit me to state that the United States will accomplish the best results in Americanization by giving all who are not Americans a trip to foreign parts as they are at present; upon their return it will be impossible to handle the crowds that will clamor for naturalization papers.

We had booked round trip passage on the Red "D" liner "Caracas," sailing on July 14th. The ship was scheduled to stop at San Juan, Porto Rico; Curacao, Dutch West Indies; La Guayra and Puerto Cabello, Venezuela; back to Curacao, thence returning to San Juan, and then home again.

We had not been out of sight of land a full day before the deck became filled with human beings in various stages of seasickness. This is not intended to be a cynical observation on the plight of these passengers, for we also joined that goodly company before another day had elapsed. This particular ship had the most wicked side motion; indeed, it had about the same rolling motion as a sailor who has just come on shore after a year before the mast.

The passengers were principally Venezuelans, but there were a number of people destined for Porto Rico and Curacao. Naturally, all the visitors who hailed from Venezuela knew all about the United States. To them, New York City was the United States.

True, they knew that beyond the confines of our city there were other places, but those places might remain *terra incognita* for all they cared about it. These people do not come up to see all of the country. They frankly confess that all they want to see is New York City, and they see it thoroughly, by all their accounts.

At table we met a queer, grubby old man who, it seems, conducts an experimental farm in Porto Rico. Although a very worthy man, apparently, he was addicted to the sad vice of participating in all the raffles made up by the energetic assistant steward. One night he told us that he was going indoors to pray for the winning number! But he gave us a lot of information about the flora of Porto Rico, which was our first stop after six days of rough weather. A half day's shore leave allowed only for a bit of walking about in the narrow, busy streets, and a short ride out to the Condado-Vanderbilt Hotel, a magnificent structure conceived by an artist who combined in it all the beauty of the tropics. It is situated on a narrow strip of land with the sea on both sides. Through waving palm trees we could see a white beach and the green and blue waters beyond. A sunken garden to our right and a winding road ablaze with the bright scarlet of the "flamboyant" (so called) trees and purple Bougainvillea vines made one long for the ability to transfer it all to canvas. San Juan itself looked busy and prosperous, and we sailed that evening very much pleased that the U. S. flag waved over so beautiful an island.

We enjoyed fair weather and calm seas all the way to the Dutch Island of Curacao. We sailed into the harbor at nightfall, and they closed the

little pontoon bridge after us. We spent a few hours in the queer little streets by moonlight, with their half-Spanish one-story houses, all of white coral rock or adobe. We crossed some bridges and had to pay a toll of 8/10 of a cent each, being of the wealthy white class; the blacks pay only half as much. It cost us much mental stress before we finally decided to put down a nickel for four of us and see what happened. Result: change in the form of one funny, square-shaped coin. After partaking of some refreshments selected from a menu suitable to a land where the Eighteenth Amendment is unknown, we sauntered back through the twisting streets and over the bridges to the boat.

Another two days of fair weather, and we came in sight of Venezuela, the first port, La Guayra, lying at the foot of a high mountain. It is a bare, poverty-stricken little town of few attractions, which causes one to wonder why they make such a fuss of red tape over the privilege of entering the place. No, we could *not* walk the length of the pier to the town. We must go by the Government train, an archaic contrivance on wheels, faintly illuminated by an acetyline torch at either end of the coach, one of the said torches exploding two or three times before being finally extinguished. And there we sat in that dark, hot, smelly little train for half an hour before it moved and carried us the length of the pier. For which heavy service we had to pay forty cents each.

We spent the night at a nearby beach resort called Macuto, and by moonlight it appeared painted on canvas. We stayed overnight at a hotel with a very German name, but our surroundings were very Spanish indeed. The rooms were built in two tiers around an inner court, open to the sky. There were no means of ventilation in these rooms except by the

doorway. The bare walls, stone floors and the ceiling were so far apart in the immense rooms that the scanty furniture seemed dwarfed by comparison. The next morning we were offered a typical South American breakfast, consisting of one small roll, a small sliver of white cheese and a cup of black paint alleged to be coffee. Oh you, of the Fruit, Cereal, Ham and Eggs, Etc., Order of Americans, think of the poor wanderer in foreign parts and be grateful! Even so, we called loudly for the "lista" and got busy with some "extras." "Ours but to do and die"—but not of starvation, with good U. S. coin in our pockets.

We returned to La Guayra and went from there by train to Caracas. In two hours the little engine mounts 2,680 feet, across shaky little bridges and along precipices so sheer that one instinctively moves away from the seat next the window. The scenery is magnificent all the way. And then came Caracas, the capital of Venezuela and the particular pride and joy of its citizenry. It has a splendid location, with the green mountains surrounding it, one, "La Silla de Caracas," two miles to the east of the city, being 8,610 feet high. Caracas has a temperate and healthful though variable climate, the mean being about 72 degrees Fahrenheit. A "small-town" city it seemed to us, with very bad hotels and very good boarding houses charging Ritz-Carlton rates. Of the people there seemed to be only two classes; the well-to-do, very animated and modern; and the distressingly poor, very much in the majority. We arrived on the day of a national holiday, the joint birthday of Simon Bolivar, Venezuela's George Washington, and General Gomez, the latter alleged to be the real president of the country, although not holding that office.

We went riding in El Paraiso, a very pretty driveway, about a mile long at the end of which stands a

beautiful statue. At 5:30 daily, the fashionables of Caracas can be seen going up and down this little driveway, seeing and being seen. But if one cannot be seen driving and one is of the softer sex and somewhat anxious to see and be seen, one opens the windows at about the same hour of the day and seats one's self, all bedecked and be-ribboned, behind the "reja" (an iron railing to be found in all windows facing the street) and nods and smiles at one's male admirers, who stand safely outside the iron bars. Altogether one gets the impression of pretty birds in a cage.

From Caracas we sailed overnight to Puerto Cabello. It is wonderfully situated and marvellously dirty and unkempt. It has a fine natural harbor, the entrance to which is so clear that it is claimed a vessel can be steered into it without the aid of a pilot. "Cabello" means "hair," the name having been given, according to popular belief, because a vessel can be tied to the dock by a single hair, and remain so, owing to the calmness of the water. The city appears to be a kind of headland projecting into the water and is built upon a coral foundation. The chief exports are coffee, cocoa, hides, and goat and deer skins. We remained here for two days taking on hides and coffee from Maracaibo. In connection with coffee, it is said down there that the "black list" which was designed to be a commercial boycott against the Germans during the war, finally resulted in great profit to them. The coffee stocks were held chiefly by Germans, and as they could not dispose of the coffee during the war they warehoused it. After the war, when they released these stocks, the prices had risen to such an extent that many of the Germans made considerable profit.

Puerto Cabello is the principal port of entry for supplies and materials

for several large development companies.

The people we met here were very courteous, but abject poverty was everywhere evident. In our rambles we came across a social club and were invited in to inspect the place, which we did, and found it to be modern and cozy. On one occasion we took refuge in a doorway during a downpour of rain. The lady of the house insisted upon our entering the casa (house) and we accordingly entered the big, bare sitting room, with its chairs stiffly arranged in a closed square around the edges of a square rug. And here we sat and chatted, with many gestures and little Spanish, but as hospitality has its own language we managed very well, and when we left the ladies were bearing bouquets of many colored roses, plucked from the little garden in the patio. We looked in at a Federal school on the theory that the educational system of a country is a good index of its progress. The school consisted of a couple of bare, dirty rooms, hardly as attractive as the basement of one of our own schools. The methods of teaching seemed to us a bit crude, due, no doubt, to the fact that the school teachers, we were told, receive the equivalent of \$24 a month for their work, and find the H. C. L. on this munificent allowance a very lively issue. We were informed that English is the principal foreign language selected by the students, as they have but one ambition in life and that is to go to "Los Estados Unidos."

After a stay of two days at Puerto Cabello, we left at night for the return to Curacao. We reached there about forty hours later, early enough to see the sun rise and lay a touch of beauty upon the rather barren little place. Some of the thirsty passengers were anticipating a drink of the famous cordial which bears the name of this island and which is made from a peculiar orange grown there.

The harbor was filled with ships from all parts of the world. Curacao is a very important point of trans-shipment of merchandise from and to Venezuela. The Dutch Shell Co. has here an oil refinery and a number of storage tanks where the oil received from Venezuela is handled. A market for all the oil refined is found among the vessels, many of them on the way to the Panama Canal.

Through the courtesy of a business man of Curacao, whom we had met on the down trip, we were taken around the harbor in a motor launch, and visited one of the shipyards, where a very staunch schooner was in course of erection. We were introduced to the shipbuilder, a big, burly Dutchman, a master worker of the old school, who seemed to know all the facts of his calling as a man knows his own right hand. There was something about him, or his work, that stirred the imagination. In a few minutes he outlined for us the history of the giant mast from its journey through one of our own virgin forests, down a western river, and aboard some schooner to his yard, where it was being trimmed down by a half dozen black boys. And so on about timbers, and braces, and caulking, and the workmen themselves, quite unconsciously entertaining and informing, in a low monotone. Kipling, we are sure, would like to know him.

Curacao was settled by the Spanish in 1527, captured by the Dutch in 1634, taken by the English in 1798, and again in 1806, but was restored to the Dutch in 1814. These various occupations, as well as the large number of emigrants from Portugal, undoubtedly account for the polyglot language spoken on the island, called "pappamiento." It is a combination of Dutch, Spanish, Portuguese, and a little English, and is spoken by even the well-educated. The history of these islands somehow conjures up

visions of pirates and all that the Spanish Main suggests. Kingsley's "Westward Ho" makes interesting reading if one wants some more on this subject.

Anticipating but a short stay upon our return to San Juan, Porto Rico, due to the vessel being twelve hours late, we planned to use economically such time as the captain would allow us to remain on shore. It was therefore a most agreeable surprise to find awaiting us at the pier a gentleman whom we had met on the way down. He is an official of a large public utility company of Porto Rico. After a good luncheon at his home, a very pretty place surrounded by native trees and flowers, he and his wife took us automobiling into the hills. The scenery of the interior of the island can only be described as magnificent. The grape fruit, sugar cane, tobacco and other tropical vegetation which we saw gave us a good idea of the productiveness of the island, in spite of a long period of drought through which it was then passing. The roads are very good and some of the best of them are said to have been built during the time of the Spanish control of the island. Porto Rico is 108 miles long and 37 miles broad, or an area of 3,536 square miles. A visit to Porto Rico would well repay anyone who can make the trip. The island is still Spanish in appearance. Indeed, the common language is Spanish.

With five days still ahead of us, after leaving Porto Rico, we planned many things of an intellectual character. Suffice it to say that we did none of them, a statement which can be appreciated only by one who has spent some time on shipboard. We had pleasant weather, fortunately, and in due season entered New York harbor, where, after complying with some formalities at the dock, we got our feet on what Mrs. Malaprop would call "terra cotta."

The L. R. B. & M. Journal

Published by Lybrand, Ross Bros. and Montgomery, for free distribution to members and employees of the firm.

The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm, to provide a medium for the exchange of suggestions and ideas for improvement; to encourage and maintain a proper spirit of co-operation and interest and to help in the solution of common problems.

PARTNERS

WILLIAM M. LYBRAND	New York
T. EDWARD ROSS	Philadelphia
ADAM A. ROSS	Philadelphia
ROBERT H. MONTGOMERY	New York
JOSEPH M. PUGH	Philadelphia
WALTER A. STAUB	New York
H. H. DUMBRILLE	New York
JOHN HOOD, JR.	Philadelphia
WALTER S. GEE	New York
T. B. G. HENDERSON	Chicago
HOMER N. SWEET	Boston

OFFICES

NEW YORK	55 Liberty Street
PHILADELPHIA	Morris Building
CHICAGO	Harris Trust Bldg.
BOSTON	50 Congress Street
PITTSBURGH	Union Bank Bldg.
DETROIT	Book Building
WASHINGTON	317 Union Trust Bldg.

CURRENT FIRM HISTORY

It is planned to continue in the November issue of the Journal Mr. Lybrand's "History of the Firm." At the present moment, however, the latest chapter is being written, not with pen and ink, but in the opening of a new branch office in the hustling city of Detroit.

For some time the need of an office in Detroit has been both felt and discussed. For some years past we have done work for clients in that city—to their satisfaction, we trust—even though we had no office there. Detroit, however, has become so large and offers, we believe, such a field for the useful application of the skill of the

public accountant that we have felt it timely to open an office in that city. Thus we hope to serve both old and new clients in Detroit still more efficiently in the future than in the past.

It is particularly pleasing to the firm, and we believe it will be so to our entire organization, that it has not been necessary to go outside the ranks of our own organization for managerial talent to take charge of the new office. It will be jointly managed by Mr. Richard FitzGerald, who goes from our New York staff, and by Mr. Conrad B. Taylor, who has for some years been connected with our Chicago office. This is one of those happy combinations where one member of the team complements and supplements the other. In addition to both of them being recognized as capable accountants who possess a valuable fund of experience, Mr. FitzGerald has especial ability along cost, engineering and system lines, while Mr. Taylor has made a close study of the tax laws and the accounting problems connected therewith.

We wish the Detroit office much success. May it make the older offices look to their laurels! As with the other offices, members of the firm will take a personal interest in the work and development of the new office and gladly second in every way possible the efforts of those in charge to make the office successful in the truest sense of the word, viz., in serving most effectively the interests of our clients.

CLIENTS CENTURY CLUB

In this number of the L. R. B. & M. JOURNAL a series of historical articles begins relating to business enterprises which have been in existence for approximately a hundred years or more—some of them considerably longer than that—and which we have the honor to number among our clients. The opening article relates the origin

of the business now known as the New York Store of John Wanamaker. Probably most New Yorkers know that it was founded by A. T. Stewart, whose name was among the foremost of the merchant princes of an earlier generation. Many, however, do not know that it is almost a century since Mr. Stewart began in a modest way the business which grew to be one of the foremost in the country.

With that friendly rivalry which has obtained for many years between the neighbor cities of New York and Philadelphia, those of us who were citizens of the latter (some of us now being citizens of the former) took much pride in the fact that it was a Philadelphian—Mr. John Wanamaker—who, after the demise of Mr. A. T. Stewart, undertook the task, not only of continuing but also of expanding the business. Those who felt such pride at that time are warranted in feeling it in a still greater degree now when they observe the success which has attended Mr. Wanamaker's New York venture. The New York store enjoys a greater patronage today than at any time in its history.

The historical article appearing in this number was written at the direction of Mr. Wanamaker and bears his personal approval, indicated by his signature.

FIRM PROFESSIONAL ACTIVITIES

In that instalment of Mr. Lybrand's "History of the Firm" which appeared in the May number of our *JOURNAL* he mentioned some of the many activities of the various members of the firm in connection with the development of accountancy along both state and national lines. The past summer has added to the honors which have come to members of the firm. Incidentally these honors have also added to their responsibilities.

At the annual convention of the American Institute of Accountants, held in Washington, September 20-23, Mr. T. Edward Ross was elected a vice-president. He is also a member of the Executive Committee. Mr. Adam A. Ross and Colonel Montgomery are members of the Council of the Institute. Mr. Lybrand has just terminated a number of years service as a member of the Journal Committee. Mr. Adam Ross is chairman of the Federal Legislation Committee.

The National Association of Cost Accountants, at its first annual convention, held in Atlantic City, September 23-25, elected Mr. Lybrand its president for the ensuing year. That this office brings with it unusual responsibilities is self-evident when one remembers that, as the Association is only in its infancy, the present administration will have to determine its policy as regards the specific objects for which the Association shall continue to exist and to work, and the manner in which these objects shall be attained. To locate and construct a road is infinitely more difficult than to follow the beaten path.

Mr. Gee, as a director and as chairman of the membership committee of the National Association of Cost Accountants, has also been active in its development. He attended the Atlantic City Convention as did also Mr. Sweet. The latter opened the discussion on the paper submitted on the subject of "Some Special Aspects of the Problem of Burden Distribution and Application." The official publications of the Association during this year have included an article by Mr. Sweet on "Industrial Accounting as an aid to Management" (June—Vol. 1, No. 5).

During the convention Mr. Lybrand read a paper on the "Relation of Cost Accounting to Business Management," viewing the subject from the standpoint of the professional accountant.

OFFICE NEWS

Principally Vacation Reminiscences

Boston Breezes

Mr. Hughes spent the first few months of his vacation patting mortar with a trowel, building porches and things for his country house at Watertown, and occasionally rolling down hill with his arms about a concrete post which had escaped from its moorings.

Mr. Sweet lost himself in the Maine woods, so far as the office was concerned, but was found by a few million mosquitoes while fishing at Moosehead Lake.

Mr. Blake invested his excess profits in a new Reo and became well acquainted with the majority of gasoline purveyors between Albany and Bangor.

Mr. MacNaught kept in the open air searching for an apartment to let, but was unsuccessful, and solved the problem by buying an apartment.

Mr. Gibson's vacation was occupied in getting acquainted with a new daughter.

Mr. Potter, one of our newer men, took his entire vacation on September 7th, and fearing that time would hang heavy on his hands before the ordeal was over, borrowed a copy of the Colonel's "Theory and Practice" before bidding us goodbye.

Mr. Keller's vacation is a matter of history only as to its first few months. Inquiry as to his reasons for selecting a so-called Fish and Game club located at a point over the Canadian border might be in order.

Mrs. King, Miss Daniels and Miss Tinney visited the mountain sections of New Hampshire.

Misses Kingsford, Boyson and Marshall added to the attractiveness of various seashore resorts.

Chicago Cables

The outstanding news feature in the Chicago office since the last issue of the JOURNAL was the departure of our office manager, Mr. Conrad B. Taylor, who left here on October 1st to act as a co-manager of the newly established Detroit office. Everyone was sincerely sorry to see Mr. Taylor go, but rejoiced in his good fortune.

Mr. Donald J. Macdonald has been promoted to the position of office manager in Mr. Taylor's place, with Mr. Homer L. Miller taking Mr. Macdonald's place.

Recent additions to the staff are Mr. J. E. Winkelman and Mr. C. R. M. Nutter, A. C. A.

Mr. Gordon S. Nathans left on September 1st to join the force of one of our clients as auditor and office manager.

In connection with a western engagement, Mr. N. L. Burton, the Chicago office editor of the JOURNAL, was enabled to take his vacation at Cannon Beach, Oregon, at the mouth of the Columbia River. His itinerary included the ascent of Mount Rainier, during which trip he secured a number of photographs, some of which may be shown in a future issue.

In view of the fact that the Pacific coast was taken care of by Mr. Burton, our chief finance officer, Miss Margaret M. Casey, decided to inspect the Atlantic seaboard. She traveled via railroad, boat lines and the B. & O., visiting Niagara Falls, New York and Washington. On her way she found time to pay a visit to our New York, Philadelphia and Washington offices.

Mr. Henderson left the office for two weeks to take his new car for a trip through Michigan. Presumably, Mr. Henderson enjoyed the trip because

the car since its return has had considerable need for the ministrations of various mechanics and others having to do with the well being of ill-treated cars. Incidentally, Mr. Henderson nearly lost part of his family the other day. His twenty-month old son was in the rear seat under watchful eyes while his father was experimenting with gauges, gears, etc. The watchful eyes wandered for a moment and just then Master Billy found that the door handle worked easily and he promptly fell out on the ground just as his father started the car. Minor damage only.

Miller started during his vacation to improve his golf game but finally decided that as a golfer he was a fine accountant.

A. W. Storms was in Colorado a large part of the Summer on a protracted engagement.

J. I. Whalen visited Colorado Springs.

Gallup moved his family here from Minneapolis and spent his vacation getting settled.

New York Nuggets

Colonel Montgomery sailed for Europe on the Aquitania August 21st. This trip is responsible for his absence from this year's convention of the American Institute of Accountants. If the writer is not mistaken, it is the first time in the fifteen years which have elapsed since the American Association of Public Accountants and the Federation of Societies of Public Accountants were merged that Colonel Montgomery has not been in attendance at the annual meeting. As his itinerary was to include not only France, Germany and Czecho-Slovakia but also, if possible, Poland, the journey is one possessing especial interest under present conditions. We hope to see an article by the Colonel in an early issue of the JOURNAL recounting his experiences and observations.

We are pleased to announce the marriage of Roy B. Tomlins and Miss Jane A. Whiting on Saturday, September 4, 1920, at Cranford, N. J. This news has added importance through the fact that it was a culmination of a romance started in our office, Miss Whiting having been a member of our stenographic staff for several years. The staff was well represented as every detail received the careful scrutiny of the best man, A. H. Stiglitz. Tommy has returned from his honeymoon with a smile which he tells us is as good as twenty year plate.

During the summer months C. F. Bauman and John W. White also joined the ranks of the benedict. We fear that the married men on our staff now greatly outnumber the bachelors.

Kilmartin paid a hurried visit to the "ould country" on account of the serious illness of his sister. A post card received from Kilmartin tells us how little the guide who was showing him around knew about junior accountants. What we would like to know is why Kilmartin needs a guide to show him around Ireland?

Bergman in his insatiable greed for knowledge journeyed to Porto Rico for his vacation. It is reported that he has increased his Spanish vocabulary at least seventy-five per cent.

Mr. Bacas of the Personnel Department has transferred his allegiance from Columbia to New York University, where he is now teaching auditing, succeeding Professor Wildman, who is on leave of absence.

Mr. Bell is giving a series of eight lectures on Department Store Accounting at Columbia University.

Brumm, McCluskey and Scholz are continuing as instructors in accounting at Columbia University.

Harry C. McCluskey, who appears to be the real traveling auditor, has just returned from a month's journey in the South, where one assignment

carried him to Atlanta, Savannah, Arlington and Augusta, in Georgia; Tallahassee in Florida; Birmingham in Alabama, New Orleans in Louisiana, Houston and Dallas in Texas, Raleigh in North Carolina, and Memphis in Tennessee.

Philadelphia Paragraphs

Mr. Metzler spent his vacation in Denver. We understand that the West needed lessons in driving automobiles over dangerous mountain roads.

Mr. Guy, our motorboat enthusiast, explored the lower Delaware River.

Mr. Joseph M. Pugh, the Barney Oldfield of our firm, spent the Summer at Cape May, New Jersey, and as this issue goes to press he is recovering from the attacks of the "Jersey Devils" in the White Mountains.

Messrs. Hare and Long polished their golf strokes and cuss words at Lake Placid, preparatory to an anticipated autumn clean up of all the trophies in the vicinity of Philadelphia.

We learn from reliable sources that Mr. T. Edward Ross has lowered his score at Montreal and later at Hot Springs. He seems to be becoming quite a crack at golf.

Mr. Cox claims precedence over "Uncle Henry" in reducing the H. C. L. To reduce the cost of building he spent his vacation digging the cellar for his proposed new home.

Messrs. Haas, McGrath, Finck and Hulse seized upon the vacation period to be fitted in double harness. We wish the four new partnerships a long and prosperous career.

Pittsburgh Personals

The Pittsburgh office reported that it has been so busy that, up to the latter part of September, not all the members of the organization there had yet been able to take their vacations.

Owing to the pressure of other duties, Mr. Keast resigned at the close of the last semester as instructor of a class in Accounting Systems at the University of Pittsburgh. At the request of the dean, however, he consented to remain a member of the faculty without teaching duties.

Washington Wires

The annual meeting of the American Institute of Accountants, held in Washington during September, afforded Mr. Hayes an opportunity to utilize some of those talents with which he is especially gifted. The Committee on Entertainment had the benefit of his assistance in arranging for various functions connected with the recreational activities of the convention. Among other things he arranged for a luncheon at the Columbia Country Club for the lady visitors and for a golf tournament which was held at the Chevy Chase Country Club. The attendance of members at the convention is stated to have been the largest on record.

Miss Kissinger escorted the ladies to the above mentioned luncheon and otherwise did the honors. Evidently our Washington office is well equipped to take charge of social functions.

MARK TWAIN'S ADVICE

re speculating in October

This is one of the peculiarly dangerous months to speculate in. The others are July, January, September, April, November, May, March, June, December, August and February.

"Methuselah must have taken good care of himself to have lived so long."

"Yes; he was no excess prophet."

Life.

Commendations

"We received on the 12th inst. your bill of charges dated July 31st, covering preparation of tax matters to date. We gladly enclose check herewith and want to thank you for your attention and your interest in our behalf. We have been very much pleased indeed and it will probably also please you to hear that the Government Investigator complimented the report.

"In connection with services rendered by your firm, . . . , we wish to state that we have been very well pleased with the manner in which you conducted the examination, also the men you sent in connection with same, and with whom we came in contact, especially your Mr. Victor, in the able manner which he handled this matter."

"We enclose two checks . . . covering your services recently rendered in auditing the books of . . .

"These services have been most efficiently and agreeably performed, for which . . . permit us to express our warm thanks and appreciation."

"I was away on my vacation when the brief was sent over for signatures and from what Mr. L and Mr. A tell me about it I certainly want to see it, if you have it in New York. They tell me it was a masterful piece of work in every particular and I will drop over soon to see it if I may.

" . . . I want to take this opportunity to tell you how much we think of your advice and counsel in all of our relations and the high esteem in which we hold you and your associates."

"I want to take this opportunity of telling you how very satisfied both Mr. B and I were with the work Mr. Willcox did for us."

Mr. Sinclair is highly esteemed at I congratulate you on selecting him to represent you there. I like him very much and feel the greatest confidence in him.

IN MEMORIAM

Mr. Robert T. Fraser, a member of our staff, died on July 19, 1920, following a sudden attack of appendicitis while on an assignment at Detroit, Michigan.

Mr. Fraser was highly esteemed by us, as he had a pleasing personality, much ability, and was a man of the highest character. He was thoroughly loyal to L. R. B. & M., and interested in the firm's success. He was preparing for the State and American Institute examinations and was ever ambitious to increase his usefulness. His death is a distinct loss to our staff.

He was born in Chicago, and attended the Grammar and High Schools in this city. After leaving school he was employed in banking and public accounting work until his enlistment in the Machine Gun Corps of the U. S. Army in August, 1917. He was assigned to Camp Grant and was honorably discharged from service in March, 1918, following an illness of two months' duration.

On August 14, 1918, he married Lillian M. Anderson of Chicago. Upon return to civilian life he re-entered public accounting work and became a member of the Chicago staff in December, 1918, remaining with us until the time of his death.

We extend our deepest sympathy to his wife and relatives in their bereavement.

THIRTEENTH NATIONAL TAX CONFERENCE

Reported by E. E. WAKEFIELD, JR.
(*Boston Office*)

The conference was held at Salt Lake City, Utah, September 6-10, 1920, with an attendance of about three hundred and fifty delegates from forty-one of the States and from the territories of Hawaii and Porto Rico and from Canada.

In addition to local problems of assessment and collection of property taxes, four principal subjects were considered by the conference, both in specially prepared papers and in the discussions from the floor, which are a very valuable feature of the conferences. These subjects were (1) inheritance taxes, (2) incomes taxes, (3) tax exemptions and (4) taxation of special interests, as mines and public utilities.

It is interesting to note that much the same cleavage of opinion could be observed as to each of these subjects. It would be putting the matter too strongly to call the cleavage one between radical and conservative thought, because the body of opinion of the delegates was distinctly conservative. The difference was rather between those who feel that present tax burdens cannot be materially lightened, and that changes in existing laws as to imposition and manner of collection of taxes should be made only upon the most mature consideration, and those who are ready to make large departures from existing methods in the hope of large benefits.

Inheritance Tax:

Therefore as to the inheritance tax it was natural that there should be these two lines of thought. Many of the delegates felt that we should go back to the earlier idea of making this form of tax available only to the states, and not to the federal govern-

ment also. On the other hand a well considered argument was made for turning the whole matter over to the federal government with some arrangement by which a part of the proceeds of the tax should be divided among the states or expended for the benefit of the states, as for instance, to construct roads. All agreed that the present situation, under which every state that has any legal excuse, requires a return to it and levies a tax, if possible, should be remedied. No conclusion was reached by the conference as to the most desirable remedy, but the opinion was preponderant that the administration of the inheritance tax should not be handed over bodily to the federal government, both because the states should not surrender such a right, and also because of doubt as to the ability of the federal authorities to administer such a tax satisfactorily to the states interested in receiving the benefits of the tax.

Income Tax:

The conference dealt with questions as to both federal and state income taxes. The general opinion was that states with large holdings of intangibles must adopt some form of income tax to get the needed revenue and avoid overburdening real property, but that the newer states would do well not to complicate their taxing machinery prematurely, simply to follow the fashion. A model state income tax law following in general the present federal law, except as to rates, was offered for consideration of the delegates. The better opinion seemed to be that in the long run the best results would be obtained if all the states would forego any attempt to reach income of non-residents, in order

to avoid the technical and difficult problems of division of income as to source in one or another state. This applies only to personal income taxes, as no doubt was expressed regarding the necessity of taxing corporations wherever their business is located.

Excess Profits Tax:

As to the federal law, all were agreed that the excess profits tax must be repealed, but when it came to the question of a substitute or substitutes, there was no uniformity of opinion. The advocates of moderate changes favored a tax on undistributed earnings of corporations, reduction of the higher surtax rates and additional taxes like the present taxes on luxuries and certain manufactured articles. On the other hand, the more mercurial opinion was strongly for wiping out practically all the difficulties of federal taxation by adoption of a sales tax on all turnovers. Very sound arguments were advanced against both the tax on undistributed income and the sales tax.

Undistributed Profits Tax:

Professor C. J. Bullock of Harvard University characterized the undistributed profits tax as the most preposterous form of new taxation that the federal authorities had ever suggested. He argued that such a tax would seriously interfere with large numbers of contracts not to pay dividends on common stock till preferred issues were retired, that such a tax would put new business, which needs to build itself up from earnings retained in the business, at a great disadvantage, as compared with older business which has already received or accumulated larger capital, and that the rate of return in different lines of business varied so widely that any fixed percentage of earnings that would be taxed, if undistributed, would represent a discriminately

different burden on different lines of business.

Sales Tax:

As to the sales tax a tentative report of a committee, appointed April last at a conference called by the National Industrial Conference Board, brought out the following objections to the tax, on account of which this committee, after starting with a predisposition to favor the tax, decided that it would not be wise to adopt it. This tax would fall too heavily on business not in prosperous condition, because it could not be wholly shifted to the buyer, and would therefore have to be paid in part, at least, whether or not any profit before allowance for the sales tax existed. A great and unfair advantage would be given large industries carrying on the bulk of the processes of manufacture in one organization, and hence escaping the tax on sales which would arise where numerous independent companies pass on the product one to another in different stages of manufacture. In consequence there would be persistent efforts to escape the tax by devices such as leases and other forms of contract not technically sales. This might lead to a general change in established business methods with which it would be very unwise to experiment in the present uncertainty of business development. A very practical difficulty apprehended by the committee is the great uncertainty as to what such a tax would yield. Advocates of the sales tax strongly asserted the simplicity of the tax as compared with present forms of federal income taxing, but the committee of the National Industrial Conference Board very properly suggested that in such a complicated industrial and economic situation as is presented in this country, simplicity of taxation is only relatively possible, and that it must necessarily, in many instances, give way to com-

siderations of equity as among different forms of business activity.

Exemptions:

There was opinion favorable to continuing existing exemptions, but the best opinion expressed, both in the formal report of a committee of the National Tax Association and by many delegates informally, was that the country must somehow get over the idea that exemption of certain persons, forms of property, and kinds of income is useful. Particular stress was laid on the evil of the proposed exemption of mortgage interest from income taxes in an effort to promote building. In general it was pointed out that if the present wholesale exempting of income from favored securities is continued the foundation of the income tax will be destroyed.

Public Utilities, Mines, etc.:

Two lines of opinion were expressed regarding taxation by the states of certain special forms of property like public utilities and mines. The newer states, large parts of whose revenue are derived from property or franchise taxes on railroads and other public utilities, are very much troubled with the problem as to whether such property should be assessed on the same basis of valuation as that used for private business, for instance farming; or whether discrimination should be made in favor of agriculture. The attitude of many of the taxing officials was that public service corporations do not pay taxes enough, and that they are "fair game" for efforts to extract continually more and more revenue from them. Again, however, the more conservative and better reasoned opinion was that all such interests as railroads, power companies and mines should be taxed only after scientific valuation of their properties and rights, to the end that they should bear no greater burden in proportion

to the value of their property and their earning capacity than that borne by agricultural or other private business.

Conclusions:

As a result of the conference, resolutions were passed in part as follows: (1) for abolition of excess profits tax and substitution of some new form of tax on income, (2) against exemptions of income from any new issues of securities, (3) for better co-operation of Federal and State taxing authorities, and (4) for confining use of the inheritance tax to the states.

TAX HUNTERS SEEK MR. EURIPIDES

BRITISH BOARD DEMANDS "TROJAN WOMAN" AUTHOR PAY ON HIS ROYALTY

More than once, when plays by Goldsmith, Sheridan, Tom Taylor and other long dead and gone dramatists have been revived in London, calls of "Author! Author!" have come from untutored enthusiasts in the pit or gallery. One might have thought that such exhibitions of readily excusable ignorance approached the limit, but they have been surpassed and made to seem as naught by the recent performance of a branch of His Majesty's Government.

The manager of a London theatre where two plays by Euripides are being performed tells me that the income tax commissioners, faithful in the execution of their duties, and panting to collect a tax on royalties, have written solemnly demanding the name and address of the author of "The Trojan Woman" and "Medea."

The manager proposes, it is said, to inform the commissioners that this author, a Greek person, died in 406 B. C. with the object of evading the British law.—*From "The Sun."*

Questions and Answers

Now that summer, with its vacations and other passing distractions, is again behind us, it is in order to direct attention to the benefit which will accrue to our organization from a very general participation by members of the staff in the work of the Questions and Answers department. Nothing would please the editor-members of the firm better than if the number of responses were such as to compel them to burn some midnight oil each month in going over both questions and answers.

Every reader is urged to submit freely any problem of either accounting or tax nature which is perplexing or presents unusual features. Answers to the questions set for the American Institute of Accountants examinations, which questions are published from time to time in the *Journal of Accountancy*, are invited for publication in the L. R. B. & M. JOURNAL, or for personal comment, if that be preferred. When desired, the identity of those submitting either questions or answers will not be disclosed.

QUESTION SUBMITTED BY A MEMBER OF THE CHICAGO OFFICE STAFF

A large corporation, which operates branches in all the principal cities of the United States and foreign countries, has an arrangement whereby its purchases and disbursements are handled in the following manner:

Invoices for purchases are approved for payment and then recorded by charging the respective purchase or asset accounts and crediting Accounts Payable. At maturity of the bill or time of payment, a draft is drawn on some designated bank, such as Chicago, New York, San Francisco, etc., which draft is charged to Accounts Payable and credited to Audited Vouchers. These unpaid drafts are

carried in the Audited Vouchers account pending receipt of advices from the banks upon which they were drawn, that the drafts have been paid. Immediately upon receipt of such an advice, a cheque is issued in favor of the bank, which is then credited to Cash or Bank Account and charged to Audited Vouchers. As a protection to each bank on which drafts are drawn, a fixed amount has been deposited with it, which is left on interest, but is not subject to cheque.

In the balance sheet prepared from the books all outstanding drafts would be represented in the Audited Vouchers account. However, in the preparation of a certified balance sheet it is contended by certain well known accountants that the amount of these unpaid drafts should be deducted from the cash balance as of the date of the balance sheet. This would be on the same basis as if these drafts were in the form of cheques charged by a bank against the depositor's account in the ordinary way. This opinion conflicts with that of the corporation and others who contend that a balance sheet showing the cash net of drafts outstanding is incorrect and does not reflect the true condition of the company's affairs.

Should these drafts be included among the corporation's liabilities or be applied in reduction of the cash balance? While the net worth of the corporation would not be affected, the question does have a bearing on the ratio of current assets to current liabilities.

Stock Dividend Decision

It is interesting to note that the opinion expressed by Mr. Staub, in the article bearing the above title in the May number of the JOURNAL, has since been confirmed by a ruling published in the Internal Revenue Bureau's bulletin service (number 29-~~36~~³⁶ 1065).

c-
m
n,
h-
d-
e
h
o
to
n,
h
h
ot

m
old
n-
a-
is
c-
se
e
m
the
ne
n
k
ne
ts
rs
v-
g
ne
s.
d
or
h
ne
ne
li-

he
n
n
as
o-
r-
0

